

Overview

This attachment provides background and preliminary analysis for the financial incentives for heritage conservation explored through this report. A brief discussion is also provided on future funding implications for Heritage Calgary related to the proposed tools and incentives.

Unlike the heritage area policies described in this report, the proposed financial incentives are recommended for continued development and analysis, and to return for consideration during the 2023-2026 budget deliberations. As such this attachment is designed to describe the intent of each proposal, and demonstrate the general feasibility that led to Administration prioritizing that incentive for the Calgary context. In essence, to seek Council direction to continue refining the incentive proposals for a future budget allocation, and not as a finalized incentive as-of-this-report.



Colgrove Apartments (1912)
Identified heritage resource— currently without legal protection preventing significant alteration or demolition

Background

The financial incentives described in this attachment are intended to encourage owners to designate their properties as Municipal Historic Resources. For an owner to accept this protection involves limiting the total redevelopment potential of their site, forgoing a portion of the economic potential of the property. As such, the financial options discussed in this attachment must provide a sufficient level of benefit to meaningfully incentivize a property owner to designate.

Determining the appropriate level of compensation required for an owner to consider designation is complex and challenging. Considerable variance exists between the economic contexts of heritage sites in Calgary, along a variety of different measures. Assessed property values for sites on the *Inventory of Evaluated Historic Resources* range between hundreds-of-thousands, and tens-of-millions of dollars, and the redevelopment potential of sites is markedly different between residential and non-residential properties.

Altogether, while two financial incentive approaches are proposed through this report for Council’s direction, the example terms, details and cost projections represent conceptual models that— while attempting to be as accurate as possible— contain assumptions which allow uncertainty as to the programs’ ultimate uptake and success. Administration proposes to mitigate this uncertainty in the following ways:

- The reporting approach undertaken by Administration allows that if Council supports these incentive options, further development towards implementation will refine the proposals and attempt to additionally minimize assumptions and limitations
- The proposed financial incentives are each recommended with limitations and caps to set firm parameters on the level of City investment to be committed. Any variability in the projected outcomes for heritage conservation would not incur additional cost
- As the proposed incentives represent significant new approaches for heritage conservation in Calgary, Administration recommends that the financial incentives be approved with a report-back following the initial implementation to allow for alterations and improvements to be made for future programs

Residential “tax-back grant”

Description

A potential residential tax-back grant would be an annual reimbursement issued by The City of Calgary to owners of designated (legally protected) heritage sites which are taxed as residential properties. The value of the grant would be based on an eligible property’s annual assessed municipal taxes, for a set period of time, or up to a maximum per-property value.

Purpose and benefits

Such a program would be intended to fill a gap in Calgary’s existing designation incentives for residential properties that are not interested in performing the conservation work necessary to use the *Historic Resource Conservation Grant Program*. A program of this type would also lower the designation ‘bar-to-entry’ for owners who do not have the funding necessary to participate in a matching grant incentive program. Most importantly, this type of direct tax-back (or ‘tax-relief’) tool is excellent at providing a straightforward mechanism to offset the incentive to demolish and redevelop a property, which can be significantly increased with development activity otherwise sought by The City of Calgary to meet growth targets through the Municipal Development Plan.

Example of a similar program outside Calgary

Burlington, Ontario

- Tax rebates offered to owners of designated residential heritage properties who make an annual application
- Eligible sites receive a 40% rebate on property taxes, including City, Region and School Board components
- No fixed-term or cap on total amount provided; however, property owners must re-apply annually
- City of Burlington initially offered a lower percent, and approved an increase through a report on the program’s success
- Additional information via By-law [61-2016](#)

Potential City of Calgary program

- Residential properties designated as a Municipal Historic Resource can apply to have 75% of the Municipal portion of their property taxes refunded as a grant for a period of 15 years, or to a maximum refunded value of \$50,000
- An owner would be required to enter into a conservation agreement, with terms designed to ensure a property remains in good condition in addition to being designated. However conservation work is not required like with the Historic Resource Conservation Grant Program
- A property may only qualify for the program one time, to receive the 15-year term or \$50,000
- Properties claiming this funding would not be eligible to apply for other City financial incentives



Wallace Residence (1913)

Identified heritage resource— currently without legal protection preventing significant alteration or demolition

Residential “tax-back grant”

Analysis

A \$50,000 program limit is used as an example of a viable incentive to encourage owners of identified residential heritage resources to consider designation. This figure is designed to respond to the increased use of the “R-CG” or other Multi-Family (more than two units/parcel) Land Use Districts in communities with heritage resources that have previously been limited to one or two units per parcel. The flexibility associated with an increase in Land Use Districts can create redevelopment value that incentivizes owners to demolish an existing heritage resource. Although significant variation exists between communities, analysis in Calgary of the value difference between one/two unit zoning and Multi-Family zoning has indicated a potential square-foot value increase of between 13% and 30% for some areas.

A \$50,000 incentive amounts to 10% of a \$500,000 property, which exceeds the potential value increase of re-zoning to a Multi-Family Land Use District for certain heritage properties, but falls short for others. This number also attempts to balance a sustainable cost for The City of Calgary, offering a moderate incentive to a large number of properties for a comparatively low overall program cost.

When asked in a 2019 online and mail-in survey about a program of similar value to the proposed, approximately 40% of owners of non-designated sites on the *Inventory of Evaluated Historic Resources* indicated that they would “Almost certainly choose to designate” were such a program introduced.

There are currently 248 residential properties on the *Inventory of Evaluated Historic Resources* that would be eligible to apply for a tax-back grant, after agreeing to designate as a Municipal Historic Resource. If a similar percent of owners agreed to designate as indicated in the 2019 survey (“Scenario 1”), the program would need to provide a tax-back grant for 99 properties. Based on the assessed values of existing sites on the *Inventory*, designated heritage resources would receive an average total amount of \$38,858 over the 15-year term, **requiring program funding of \$3.8 million.**

If the percentage of property owners interested in this incentive is higher than the 40% indicated by the 2019 survey, another estimate can be drawn through assuming that all owners who could stand to receive \$50,000 over 15 years would use this incentive. In this model (“Scenario 2”), 122 sites currently on the *Inventory* would reach that grant amount within the 15-year timeframe, based on their annual property taxes. In this case, **program funding required from The City would be \$6.1 million.**

Given these cost scenarios, a program could reasonably scale between \$3 and \$10 million, depending on Council’s direction at the 2023-2026 budget discussions. For the purpose of this report, **\$5 million** is proposed as sufficient for an initial implementation of a tax-back grant incentive, which could be monitored during the 2023-2026 budget cycle for the “real-world” response from owners in designating their properties, to help inform future recommendations to initiate similar or modified programs.

Scenario 1:

40% of currently eligible sites use this incentive

Number of Sites Projected to Designate	99
Percent (Designated) of Currently Eligible Sites	40%
Average Total Grant (Per Property)	\$38,858
Total 15-year Program Cost	\$3,846,942

Scenario 2:

Property owners eligible for \$50K (over 15 years) use this incentive

Number of Sites Projected to Designate	122
Percent (Designated) of Currently Eligible Sites	49%
Average Total Grant (Per Property)	\$50,000
Total 15-year Program Cost	\$6,100,000

Residential “tax-back grant”

Analysis (continued)

Due to the variation in residential property values, different tax-back percentage scenarios were also modelled by Administration in order to determine the appropriate annual percent tax-grant to offer. Where Scenario 2 on the previous page assumes that \$50,000 is required for a property owner to designate, the number of sites reaching the required amount over 15 years was based on an annual grant of 75% of municipal property taxes.

The figures below show the same scenario, modelled alongside two alternate tax-back grant percentages. Since the proposed program is capped at \$50,000, the 75% tax-back option was selected to allow heritage resources with a greater range of property values to reach the \$50,000 maximum within 15 years—while remaining more cost-effective for Administration than a 100% scenario.

50% Tax-Back Grant		75% Tax-Back Grant		100% Tax-Back Grant	
Number of Sites Projected to Designate	85	Number of Sites Projected to Designate	122	Number of Sites Projected to Designate	144
Percent (Designated) of Currently Eligible Sites	34%	Percent (Designated) of Currently Eligible Sites	49%	Percent (Designated) of Currently Eligible Sites	58%
Total Grant Received (Per Property)	\$50,000	Total Grant Received (Per Property)	\$50,000	Total Grant Received (Per Property)	\$50,000
Total 15-year Program Cost	\$4,250,000	Total 15-year Program Cost	\$6,100,000	Total 15-year Program Cost	\$7,200,000

If Council supports Administration’s recommendation for a “Tax-Back Grant” financial incentive at the 2023-2026 budget discussions, it is recommended that total program funding not be set below \$2 million. There are currently 32 residential properties on the *Inventories of Evaluated Historic Resources* which would be eligible to apply for the proposed tax-back grant. Assuming that all properties apply, this would mean that between \$1.2 and 1.6 million of the overall program total would go towards sites that are already designated, leaving only a small portion of the amount to incentivize new designations in a low overall funding scenario. While this is an unfortunate outcome of a program available to all owners of designated residential properties, precluding owners who have already assumed the financial implications of designation could appear punitive towards the prior actions of citizens that are deemed to have been in the public interest and therefore is not recommended by Administration.



Hickey Residence (1912)
Identified heritage resource— currently without legal protection preventing significant alteration or demolition

Non-residential “conservation tax credit”

Description

A potential non-residential conservation tax credit incentive would be a new shared funding program for performing improvement work on designated non-residential heritage buildings. The incentive value would be calculated against the site’s annual municipal property taxes. Owners doing City-approved restoration or rehabilitation work would be eligible for a partial tax credit annually for a period of 15 years.

Purpose and benefits

Such a program would have similarities to the existing *Historic Resource Conservation Grant Program*, but would offer a significantly larger financial incentive than the \$125,000 maximum of that program (potentially twenty-times that value). Given that Calgary’s total heritage grant program budget is currently \$500,000, a single conservation project on a non-residential building (church, office tower etc.) can currently exceed that value. This proposed incentive would be a critically-important increase in serving the conservation needs of non-residential heritage resources, and in encouraging buildings to designate that would not see value in the existing grant program.

Example of a similar program outside Calgary

Toronto, Ontario

- Tax rebate structured towards designated commercial and industrial heritage properties, either alone or in a Heritage Conservation District
- Property owner must intend to complete, within a single taxation year, eligible work equivalent to a minimum of 20% of annual property taxes paid
- Rebate of 50% of the conservation costs, up to 50% of annual municipal property taxes paid, with a maximum yearly value of \$250,000

Potential City of Calgary program

- Non-residential properties designated as a Municipal Historic Resource, and undergoing conservation work, can apply to be refunded 50% of a project cost, for up to 50% off the municipal portion of their taxes, annually
- The maximum a property can receive is \$250,000/year, for a duration of up to 15 years (totaling \$3.75 million)
- The maximum incentive amount available cannot exceed 15% of a property’s assessed value, in combination with any other City of Calgary conservation grant.
- Applications can be made every five years, provided that the applicant does not exceed the maximum amount available for the program and the work and tax reductions for any previously awarded application has been completed and ended.
- 50% of the cost of specified work must be completed within 2.5 years of the application being approved or the rebate for the remainder of the work will not be recognized



St. Vladimir's Ukrainian Orthodox Church and Cultural Centre (1977)

Identified heritage resource— currently without legal protection preventing significant alteration or demolition

Non-residential “conservation tax credit”

Analysis

The financial support required to meaningfully assist with the conservation of non-residential heritage sites is substantially larger than with residential. Similarly, non-residential properties that opt to designate as Municipal Historic Resources typically forgo more valuable development potential, based on what may be allowable through a non-residential Land Use District.

For these reasons, the scale of the example program for this incentive is understood to be fundamentally unable to assist a majority, or even a large portion, of heritage sites. The program parameters are proposed in accordance with successful examples in other municipalities (including Toronto and Regina), and in seeking to implement a flexible, scalable program to determine uptake in the Calgary context.

The recommended program commitment for The City through this incentive approach is \$15 million, or a maximum of \$1 million per year for a fifteen-year period. This allows at least four properties to claim the maximum possible tax credit at the annual maximum value. Because of a funding cap at 15% of a property’s total assessed value, this could also serve a larger array of more modest non-residential buildings.

This program **could be scaled to a total program commitment of \$10 million, or \$5 million**, through reducing the funding term from fifteen years to ten or five. However, because one of the primary roles of this financial incentive is to provide a much more substantial benefit for a property owner than the existing conservation grant program, reductions beyond this funding level may undermine its fundamental efficacy.

If Council supports an increased incentive for non-residential heritage sites that is below a \$5 million commitment, Administration recommends **instead supporting the alternate recommendation package described in Attachment 10 as “Recommended Plus”**. This would direct an immediate \$3 million increase to the *Historic Resource Conservation Grant Program* over the 2021-2022 period through a mid-cycle budget adjustment, and include modifications to the existing program terms and conditions:

- Direct the additional \$1.5 million/year exclusively to non-residential properties, leaving the existing \$500,000/year to residential properties (accounting for the value differential)
- Explore restructuring the maximum values to allow non-residential properties to access a larger total grant amount than the current \$125,000



Schuler’s Grocery (1912)

Identified heritage resource—currently without legal protection preventing significant alteration or demolition

As the *Historic Resource Conservation Grant Program* is an established fund through The City of Calgary, there would be lower resourcing impacts on Administration than creation of a new program while still providing some additional incentive for non-residential properties.

Monitoring during the 2021-2022 period would allow new data to be gathered for future program recommendations.

Heritage Calgary—Projected funding requirements

Description

The section discusses the projected future needs of Heritage Calgary if the financial incentives proposed in this report are approved through the 2023-2026 budget. As referenced in Attachment 10, successful delivery of these financial incentives by Administration will require a level of ongoing support from Heritage Calgary in terms of evaluations and re-evaluations for the *Inventory of Evaluated Historic Resources*. This is in addition to the services to Council and citizens that Heritage Calgary provides—for which there is also an opportunity to offer an enhanced level of service should new heritage tools and incentives be supported. Information is provided below for consideration in advance of the November 2022 budget deliberation.

Purpose and benefits

Heritage Calgary (formerly the Calgary Heritage Authority) is a charitable Civic Partner of The City of Calgary, with a mission to identify, preserve and promote Calgary's diverse heritage for future generations. The Board of Heritage Calgary comprises 12 members who are appointed by City Council on Heritage Calgary's recommendation, in addition to an Executive Director and two staff positions.

As part of their mandate to Council and Citizens, Heritage Calgary plays an essential role in the ongoing identification of heritage resources through management of the *Inventory of Evaluated Historic Resources*, including the addition of new sites and the re-evaluation of existing sites each year. To accomplish this, Heritage Calgary commits a portion of their annual budget to contracting researchers to perform evaluations/re-evaluations, and providing resources for the Evaluation & Review subcommittee.

Heritage Calgary added one of their two staff positions in 2020 to help manage a portion of the evaluation workload that was previously provided through assistance from City Administration. Heritage Calgary's newest position directly benefits Administration in taking on that work, which previously required a commitment of approximately 15% of a full-time position. To fund its staff, Heritage Calgary is withdrawing \$150,000 per year from a reserve fund (called the Calgary Heritage Authority Reserve Fund: PFC2012-0159, PFC2015-0917 and PFC2018-1125) until 2023. Heritage Calgary's reserve fund has a protected balance of \$1,338,000, limiting the ability to withdraw further amounts beyond what has been already committed for the 2020-2023 period. Without a future increase in funding to match or exceed this \$150,000, a funding gap will exist for Heritage Calgary as-of 2023 if the current work program is maintained.

Analysis: Projected future requirements

The recommended implementation timeline of this report means that in 2023, Administration will have sought budget approval for the proposed tax-based financial incentives in this attachment. If approved, the creation of new incentive programs is estimated to increase demand for designation from sites that are not currently listed on the *Inventory*, and accelerate demand to re-evaluate sites with outdated listings. If Heritage Calgary lacks the necessary funding to facilitate these evaluations/re-evaluations, potential new sites and outdated sites will be delayed in achieving designation and making use of the new financial incentives. This creates a risk to providing a consistent level of service to citizens, and ensuring protection of the maximum possible number of heritage resources.

Alternately, Administration could resume their prior arrangement in assisting Heritage Calgary with evaluation work, but this would have implications on delivery of the heritage policy tools, new and existing financial incentives, and all other heritage-related initiatives that Administration is engaged with.

Heritage Calgary—Projected funding requirements

Analysis: Projected future requirements (continued)

Heritage Calgary will seek to have the projected funding shortage addressed through submission to the 2023-2026 budget deliberations. In advance of that date, and supporting this report, a brief comparison is provided below of two possible funding increase scenarios. Scenario 1 examines sustaining the currently-provided level of service through a \$150,000 per year increase. Scenario 2 sees a larger increase of \$450,000 per year to allow a significantly higher overall level of service from Heritage Calgary, including the provision of new programs and a Heritage Calgary-specific financial incentive.

Scenario 1—Sustained funding level

- \$150,000 additional annual funding
- Allows continuation of 2020-2022 Heritage Calgary service levels into the 2023-2026 budget cycle
- Projected outcomes in 2023-2026: 80 new evaluations, 20 re-evaluations, no additional programming or services

Scenario 2—Increased funding level

- \$450,000 additional annual funding
- Allows significant increase to service levels, to help manage potential increased awareness and demand from citizens if proposed tools and incentives are approved through this report
- Projected outcomes in 2023-2026: 150-200 new evaluations, 100-150 re-evaluations; creation of financial incentives for *Inventory* sites without designation (eg. “Paint a Porch” program, etc.), facilitation of further education and awareness programming for citizens, ability to build further financial capacity through fundraising